
SENATE BILL No. 527

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-1-3.5; IC 6-3-3-13.

Synopsis: Income tax credit for long term care insurance. Provides a credit against an individual's adjusted gross income tax liability for premiums paid for a qualified long term care policy. Eliminates the adjusted gross income tax deduction for premiums paid for a qualified long term care policy.

Effective: January 1, 2010.

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January 15, 2009, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

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SENATE BILL No. 527



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3-1-3.5, AS AMENDED BY P.L.131-2008,
2 SECTION 11, AND AS AMENDED BY P.L.3-2008, SECTION 60, IS
3 CORRECTED AND AMENDED TO READ AS FOLLOWS
4 [EFFECTIVE JANUARY 1, 2010]: Sec. 3.5. When used in this article,
5 the term "adjusted gross income" shall mean the following:
6 (a) In the case of all individuals, "adjusted gross income" (as
7 defined in Section 62 of the Internal Revenue Code), modified as
8 follows:
9 (1) Subtract income that is exempt from taxation under this article
10 by the Constitution and statutes of the United States.
11 (2) Add an amount equal to any deduction or deductions allowed
12 or allowable pursuant to Section 62 of the Internal Revenue Code
13 for taxes based on or measured by income and levied at the state
14 level by any state of the United States.
15 (3) Subtract one thousand dollars (\$1,000), or in the case of a
16 joint return filed by a husband and wife, subtract for each spouse
17 one thousand dollars (\$1,000).



- 1 (4) Subtract one thousand dollars (\$1,000) for:
 2 (A) each of the exemptions provided by Section 151(c) of the
 3 Internal Revenue Code;
 4 (B) each additional amount allowable under Section 63(f) of
 5 the Internal Revenue Code; and
 6 (C) the spouse of the taxpayer if a separate return is made by
 7 the taxpayer and if the spouse, for the calendar year in which
 8 the taxable year of the taxpayer begins, has no gross income
 9 and is not the dependent of another taxpayer.
- 10 (5) Subtract:
 11 (A) for taxable years beginning after December 31, 2004, one
 12 thousand five hundred dollars (\$1,500) for each of the
 13 exemptions allowed under Section 151(c)(1)(B) of the Internal
 14 Revenue Code (as effective January 1, 2004); and
 15 (B) five hundred dollars (\$500) for each additional amount
 16 allowable under Section 63(f)(1) of the Internal Revenue Code
 17 if the adjusted gross income of the taxpayer, or the taxpayer
 18 and the taxpayer's spouse in the case of a joint return, is less
 19 than forty thousand dollars (\$40,000).
 20 This amount is in addition to the amount subtracted under
 21 subdivision (4).
- 22 (6) Subtract an amount equal to the lesser of:
 23 (A) that part of the individual's adjusted gross income (as
 24 defined in Section 62 of the Internal Revenue Code) for that
 25 taxable year that is subject to a tax that is imposed by a
 26 political subdivision of another state and that is imposed on or
 27 measured by income; or
 28 (B) two thousand dollars (\$2,000).
- 29 (7) Add an amount equal to the total capital gain portion of a
 30 lump sum distribution (as defined in Section 402(e)(4)(D) of the
 31 Internal Revenue Code) if the lump sum distribution is received
 32 by the individual during the taxable year and if the capital gain
 33 portion of the distribution is taxed in the manner provided in
 34 Section 402 of the Internal Revenue Code.
- 35 (8) Subtract any amounts included in federal adjusted gross
 36 income under Section 111 of the Internal Revenue Code as a
 37 recovery of items previously deducted as an itemized deduction
 38 from adjusted gross income.
- 39 (9) Subtract any amounts included in federal adjusted gross
 40 income under the Internal Revenue Code which amounts were
 41 received by the individual as supplemental railroad retirement
 42 annuities under 45 U.S.C. 231 and which are not deductible under

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- 1 subdivision (1).
- 2 (10) Add an amount equal to the deduction allowed under Section
- 3 221 of the Internal Revenue Code for married couples filing joint
- 4 returns if the taxable year began before January 1, 1987.
- 5 (11) Add an amount equal to the interest excluded from federal
- 6 gross income by the individual for the taxable year under Section
- 7 128 of the Internal Revenue Code if the taxable year began before
- 8 January 1, 1985.
- 9 (12) Subtract an amount equal to the amount of federal Social
- 10 Security and Railroad Retirement benefits included in a taxpayer's
- 11 federal gross income by Section 86 of the Internal Revenue Code.
- 12 (13) In the case of a nonresident taxpayer or a resident taxpayer
- 13 residing in Indiana for a period of less than the taxpayer's entire
- 14 taxable year, the total amount of the deductions allowed pursuant
- 15 to subdivisions (3), (4), (5), and (6) shall be reduced to an amount
- 16 which bears the same ratio to the total as the taxpayer's income
- 17 taxable in Indiana bears to the taxpayer's total income.
- 18 (14) In the case of an individual who is a recipient of assistance
- 19 under IC 12-10-6-1, IC 12-10-6-2.1, IC 12-15-2-2, or IC 12-15-7,
- 20 subtract an amount equal to that portion of the individual's
- 21 adjusted gross income with respect to which the individual is not
- 22 allowed under federal law to retain an amount to pay state and
- 23 local income taxes.
- 24 (15) In the case of an eligible individual, subtract the amount of
- 25 a Holocaust victim's settlement payment included in the
- 26 individual's federal adjusted gross income.
- 27 (16) For taxable years beginning after December 31, 1999, **and**
- 28 **beginning before January 1, 2010**, subtract an amount equal to
- 29 the portion of any premiums paid during the taxable year by the
- 30 taxpayer for a qualified long term care policy (as defined in
- 31 IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or
- 32 both.
- 33 (17) Subtract an amount equal to the lesser of:
- 34 (A) for a taxable year:
- 35 (i) including any part of 2004, the amount determined under
- 36 subsection (f); and
- 37 (ii) beginning after December 31, 2004, two thousand five
- 38 hundred dollars (\$2,500); or
- 39 (B) the amount of property taxes that are paid during the
- 40 taxable year in Indiana by the individual on the individual's
- 41 principal place of residence.
- 42 (18) Subtract an amount equal to the amount of a September 11

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terrorist attack settlement payment included in the individual's federal adjusted gross income.

(19) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that owns property for which bonus depreciation was allowed in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election not been made under Section 168(k) of the Internal Revenue Code to apply bonus depreciation to the property in the year that it was placed in service.

(20) Add an amount equal to any deduction allowed under Section 172 of the Internal Revenue Code.

(21) Add or subtract the amount necessary to make the adjusted gross income of any taxpayer that placed Section 179 property (as defined in Section 179 of the Internal Revenue Code) in service in the current taxable year or in an earlier taxable year equal to the amount of adjusted gross income that would have been computed had an election for federal income tax purposes not been made for the year in which the property was placed in service to take deductions under Section 179 of the Internal Revenue Code in a total amount exceeding twenty-five thousand dollars (\$25,000).

(22) Add an amount equal to the amount that a taxpayer claimed as a deduction for domestic production activities for the taxable year under Section 199 of the Internal Revenue Code for federal income tax purposes.

(23) Subtract an amount equal to the amount of the taxpayer's qualified military income that was not excluded from the taxpayer's gross income for federal income tax purposes under Section 112 of the Internal Revenue Code.

(24) Subtract income that is:
(A) exempt from taxation under IC 6-3-2-21.7; and
(B) included in the individual's federal adjusted gross income under the Internal Revenue Code.

(25) Subtract any amount of a credit (including an advance refund of the credit) that is provided to an individual under 26 U.S.C. 6428 (federal Economic Stimulus Act of 2008) and included in the individual's federal adjusted gross income.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under this article

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- 1 by the Constitution and statutes of the United States.
- 2 (2) Add an amount equal to any deduction or deductions allowed
- 3 or allowable pursuant to Section 170 of the Internal Revenue
- 4 Code.
- 5 (3) Add an amount equal to any deduction or deductions allowed
- 6 or allowable pursuant to Section 63 of the Internal Revenue Code
- 7 for taxes based on or measured by income and levied at the state
- 8 level by any state of the United States.
- 9 (4) Subtract an amount equal to the amount included in the
- 10 corporation's taxable income under Section 78 of the Internal
- 11 Revenue Code.
- 12 (5) Add or subtract the amount necessary to make the adjusted
- 13 gross income of any taxpayer that owns property for which bonus
- 14 depreciation was allowed in the current taxable year or in an
- 15 earlier taxable year equal to the amount of adjusted gross income
- 16 that would have been computed had an election not been made
- 17 under Section 168(k) of the Internal Revenue Code to apply bonus
- 18 depreciation to the property in the year that it was placed in
- 19 service.
- 20 (6) Add an amount equal to any deduction allowed under Section
- 21 172 of the Internal Revenue Code.
- 22 (7) Add or subtract the amount necessary to make the adjusted
- 23 gross income of any taxpayer that placed Section 179 property (as
- 24 defined in Section 179 of the Internal Revenue Code) in service
- 25 in the current taxable year or in an earlier taxable year equal to
- 26 the amount of adjusted gross income that would have been
- 27 computed had an election for federal income tax purposes not
- 28 been made for the year in which the property was placed in
- 29 service to take deductions under Section 179 of the Internal
- 30 Revenue Code in a total amount exceeding twenty-five thousand
- 31 dollars (\$25,000).
- 32 (8) Add an amount equal to the amount that a taxpayer claimed as
- 33 a deduction for domestic production activities for the taxable year
- 34 under Section 199 of the Internal Revenue Code for federal
- 35 income tax purposes.
- 36 (9) Add to the extent required by IC 6-3-2-20 the amount of
- 37 intangible expenses (as defined in IC 6-3-2-20) and any directly
- 38 related intangible interest expenses (as defined in IC 6-3-2-20) for
- 39 the taxable year that reduced the corporation's taxable income (as
- 40 defined in Section 63 of the Internal Revenue Code) for federal
- 41 income tax purposes.
- 42 (10) Add an amount equal to any deduction for dividends paid (as

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1 defined in Section 561 of the Internal Revenue Code) to
 2 shareholders of a captive real estate investment trust (as defined
 3 in section 34.5 of this chapter).
 4 (11) Subtract income that is:
 5 (A) exempt from taxation under IC 6-3-2-21.7; and
 6 (B) included in the corporation's taxable income under the
 7 Internal Revenue Code.
 8 (c) In the case of life insurance companies (as defined in Section
 9 816(a) of the Internal Revenue Code) that are organized under Indiana
 10 law, the same as "life insurance company taxable income" (as defined
 11 in Section 801 of the Internal Revenue Code), adjusted as follows:
 12 (1) Subtract income that is exempt from taxation under this article
 13 by the Constitution and statutes of the United States.
 14 (2) Add an amount equal to any deduction allowed or allowable
 15 under Section 170 of the Internal Revenue Code.
 16 (3) Add an amount equal to a deduction allowed or allowable
 17 under Section 805 or Section 831(c) of the Internal Revenue Code
 18 for taxes based on or measured by income and levied at the state
 19 level by any state.
 20 (4) Subtract an amount equal to the amount included in the
 21 company's taxable income under Section 78 of the Internal
 22 Revenue Code.
 23 (5) Add or subtract the amount necessary to make the adjusted
 24 gross income of any taxpayer that owns property for which bonus
 25 depreciation was allowed in the current taxable year or in an
 26 earlier taxable year equal to the amount of adjusted gross income
 27 that would have been computed had an election not been made
 28 under Section 168(k) of the Internal Revenue Code to apply bonus
 29 depreciation to the property in the year that it was placed in
 30 service.
 31 (6) Add an amount equal to any deduction allowed under Section
 32 172 or Section 810 of the Internal Revenue Code.
 33 (7) Add or subtract the amount necessary to make the adjusted
 34 gross income of any taxpayer that placed Section 179 property (as
 35 defined in Section 179 of the Internal Revenue Code) in service
 36 in the current taxable year or in an earlier taxable year equal to
 37 the amount of adjusted gross income that would have been
 38 computed had an election for federal income tax purposes not
 39 been made for the year in which the property was placed in
 40 service to take deductions under Section 179 of the Internal
 41 Revenue Code in a total amount exceeding twenty-five thousand
 42 dollars (\$25,000).

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- 1 (8) Add an amount equal to the amount that a taxpayer claimed as
 2 a deduction for domestic production activities for the taxable year
 3 under Section 199 of the Internal Revenue Code for federal
 4 income tax purposes.
- 5 (9) Subtract income that is:
 6 (A) exempt from taxation under IC 6-3-2-21.7; and
 7 (B) included in the insurance company's taxable income under
 8 the Internal Revenue Code.
- 9 (d) In the case of insurance companies subject to tax under Section
 10 831 of the Internal Revenue Code and organized under Indiana law, the
 11 same as "taxable income" (as defined in Section 832 of the Internal
 12 Revenue Code), adjusted as follows:
- 13 (1) Subtract income that is exempt from taxation under this article
 14 by the Constitution and statutes of the United States.
- 15 (2) Add an amount equal to any deduction allowed or allowable
 16 under Section 170 of the Internal Revenue Code.
- 17 (3) Add an amount equal to a deduction allowed or allowable
 18 under Section 805 or Section 831(c) of the Internal Revenue Code
 19 for taxes based on or measured by income and levied at the state
 20 level by any state.
- 21 (4) Subtract an amount equal to the amount included in the
 22 company's taxable income under Section 78 of the Internal
 23 Revenue Code.
- 24 (5) Add or subtract the amount necessary to make the adjusted
 25 gross income of any taxpayer that owns property for which bonus
 26 depreciation was allowed in the current taxable year or in an
 27 earlier taxable year equal to the amount of adjusted gross income
 28 that would have been computed had an election not been made
 29 under Section 168(k) of the Internal Revenue Code to apply bonus
 30 depreciation to the property in the year that it was placed in
 31 service.
- 32 (6) Add an amount equal to any deduction allowed under Section
 33 172 of the Internal Revenue Code.
- 34 (7) Add or subtract the amount necessary to make the adjusted
 35 gross income of any taxpayer that placed Section 179 property (as
 36 defined in Section 179 of the Internal Revenue Code) in service
 37 in the current taxable year or in an earlier taxable year equal to
 38 the amount of adjusted gross income that would have been
 39 computed had an election for federal income tax purposes not
 40 been made for the year in which the property was placed in
 41 service to take deductions under Section 179 of the Internal
 42 Revenue Code in a total amount exceeding twenty-five thousand

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- 1 dollars (\$25,000).
- 2 (8) Add an amount equal to the amount that a taxpayer claimed as
- 3 a deduction for domestic production activities for the taxable year
- 4 under Section 199 of the Internal Revenue Code for federal
- 5 income tax purposes.
- 6 (9) Subtract income that is:
- 7 (A) exempt from taxation under IC 6-3-2-21.7; and
- 8 (B) included in the insurance company's taxable income under
- 9 the Internal Revenue Code.
- 10 (e) In the case of trusts and estates, "taxable income" (as defined for
- 11 trusts and estates in Section 641(b) of the Internal Revenue Code)
- 12 adjusted as follows:
- 13 (1) Subtract income that is exempt from taxation under this article
- 14 by the Constitution and statutes of the United States.
- 15 (2) Subtract an amount equal to the amount of a September 11
- 16 terrorist attack settlement payment included in the federal
- 17 adjusted gross income of the estate of a victim of the September
- 18 11 terrorist attack or a trust to the extent the trust benefits a victim
- 19 of the September 11 terrorist attack.
- 20 (3) Add or subtract the amount necessary to make the adjusted
- 21 gross income of any taxpayer that owns property for which bonus
- 22 depreciation was allowed in the current taxable year or in an
- 23 earlier taxable year equal to the amount of adjusted gross income
- 24 that would have been computed had an election not been made
- 25 under Section 168(k) of the Internal Revenue Code to apply bonus
- 26 depreciation to the property in the year that it was placed in
- 27 service.
- 28 (4) Add an amount equal to any deduction allowed under Section
- 29 172 of the Internal Revenue Code.
- 30 (5) Add or subtract the amount necessary to make the adjusted
- 31 gross income of any taxpayer that placed Section 179 property (as
- 32 defined in Section 179 of the Internal Revenue Code) in service
- 33 in the current taxable year or in an earlier taxable year equal to
- 34 the amount of adjusted gross income that would have been
- 35 computed had an election for federal income tax purposes not
- 36 been made for the year in which the property was placed in
- 37 service to take deductions under Section 179 of the Internal
- 38 Revenue Code in a total amount exceeding twenty-five thousand
- 39 dollars (\$25,000).
- 40 (6) Add an amount equal to the amount that a taxpayer claimed as
- 41 a deduction for domestic production activities for the taxable year
- 42 under Section 199 of the Internal Revenue Code for federal

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1 income tax purposes.
 2 (7) Subtract income that is:
 3 (A) exempt from taxation under IC 6-3-2-21.7; and
 4 (B) included in the taxpayer's taxable income under the
 5 Internal Revenue Code.
 6 (f) This subsection applies only to the extent that an individual paid
 7 property taxes in 2004 that were imposed for the March 1, 2002,
 8 assessment date or the January 15, 2003, assessment date. The
 9 maximum amount of the deduction under subsection (a)(17) is equal
 10 to the amount determined under STEP FIVE of the following formula:
 11 STEP ONE: Determine the amount of property taxes that the
 12 taxpayer paid after December 31, 2003, in the taxable year for
 13 property taxes imposed for the March 1, 2002, assessment date
 14 and the January 15, 2003, assessment date.
 15 STEP TWO: Determine the amount of property taxes that the
 16 taxpayer paid in the taxable year for the March 1, 2003,
 17 assessment date and the January 15, 2004, assessment date.
 18 STEP THREE: Determine the result of the STEP ONE amount
 19 divided by the STEP TWO amount.
 20 STEP FOUR: Multiply the STEP THREE amount by two
 21 thousand five hundred dollars (\$2,500).
 22 STEP FIVE: Determine the sum of the STEP FOUR amount and
 23 two thousand five hundred dollars (\$2,500).
 24 SECTION 2. IC 6-3-3-13 IS ADDED TO THE INDIANA CODE
 25 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
 26 JANUARY 1, 2010]: **Sec. 13. (a) As used in this section, "qualified
 27 long term care policy" has the meaning set forth in
 28 IC 12-15-39.6-5.**
 29 **(b) For each taxable year beginning after December 31, 2009, an
 30 individual is entitled to a credit against the individual's adjusted
 31 gross income tax liability for part of any premiums paid by the
 32 individual during the taxable year for a qualified long term care
 33 policy for the individual or the individual's spouse, or both. The
 34 amount of the credit is equal to:**
 35 **(1) the premiums paid during the taxable year by the
 36 individual for a qualified long term care policy for the
 37 individual or the individual's spouse, or both; multiplied by
 38 (2) fifty percent (50%).**
 39 SECTION 3. [EFFECTIVE JANUARY 1, 2010] **(a) IC 6-3-1-3.5,
 40 as amended by this act, applies only to taxable years beginning
 41 after December 31, 2009.**
 42 **(b) IC 6-3-3-13, as added by this act, applies only to taxable**

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1 years beginning after December 31, 2009.

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